

Message Text

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PAGE 01 BRUSSE 11254 01 OF 02 081734Z
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P 081716Z JUN 78
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TO SECSTATE WASHDC PRIORITY 7139
INFO ALL EC CAPITALS
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SUBJ: EC FOREIGN MINISTERS COUNCIL, JUNE 6, 1978:
INDUSTRIAL POLICY

REF: (A) BRUSSELS 8670 (B) BRUSSELS 9191

1. SUMMARY: THE JUNE 6 EC FOREIGN MINISTERS COUNCIL
CONTINUED DISCUSSION BEGUN AT THE MAY 2 COUNCIL SESSION
(REF A) ON STRUCTURAL PROBLEMS IN THE EC INDUSTRIAL SECTOR;
DEBATE FOCUSED ON THE GERMAN MEMORANDUM ON INDUSTRIAL
STRUCTURAL PROBLEMS SUBMITTED TO THE MAY 2 COUNCIL (REF B)
AND A NEW EC COMMISSION MEMORANDUM ON STATE AIDS TO
INDUSTRY (SEPTTEL). THE DANISH PRESIDENCY HAS UNDERTAKEN
TO PREPARE AND SUBMIT TO COREPER A DRAFT SUMMARIZING THE
RESULTS OF THE COUNCIL'S DISCUSSION, WHICH MIGHT SERVE AS
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PAGE 02 BRUSSE 11254 01 OF 02 081734Z

A BASIS FOR DISCUSSIONS BY THE EC HEADS OF GOVERNMENT AT
THE JULY 6-7 EUROPEAN COUNCIL IN BREMEN. DURING THE
COURSE OF HIS REMARKS TO THE COUNCIL, EC COMMISSIONER
DAVIGNON ALSO INDICATED THAT THE COMMISSION INTENDED TO
SUBMIT TO THE SUMMIT A PAPER ON POTENTIAL INDUSTRIAL
GROWTH SECTORS, BUT MEMBER STATE COMMENTS IN THE COUNCIL
WERE LARGELY AGAINST THE COMMISSION'S PREPARING SUCH A

PAPER. END SUMMARY.

2. ACCORDING TO COMMISSION AND PERMREP SOURCES, DANISH FOREIGN MINISTER ANDERSEN (COUNCIL PRESIDENT) OPENED DISCUSSION BY ASSERTING THAT INDUSTRIAL STRUCTURAL PROBLEMS SHOULD BE EXAMINED IN A LARGER PERSPECTIVE AND SHOULD FORM PART OF OVERALL DISCUSSION AT THE EUROPEAN COUNCIL IN BREMEN AND THE WESTERN ECONOMIC SUMMIT IN BONN. ANDERSEN SAID THAT THE REAL PROBLEM FOR THE COMMUNITY IN THE INDUSTRIAL SECTOR SEEMS TO BE THE INCREASING COMPETITIVENESS OF CERTAIN LDC PRODUCERS.

3. A COMMISSION SPOKESMAN TOLD REPORTERS THAT DAVIGNON RESPONDED BY EXPRESSING FULL AGREEMENT WITH ANDERSEN'S ANALYSIS. DAVIGNON THEN MADE THE FOLLOWING ADDITIONAL POINTS CONCERNING INDUSTRIAL RESTRUCTURING AND PROTECTIONISM:

-- STRUCTURAL PROBLEMS CANNOT BE ANALYZED OUTSIDE THE OVERALL CONTEXT OF INDUSTRIAL, ECONOMIC, REGIONAL, AND SOCIAL POLICIES;

-- NO ONE IN THE COMMUNITY CONTESTS THE NEED FOR INDUSTRIAL REFORM, PARTICULARLY WITH RESPECT TO THE NEED TO RESTORE COMPETITIVENESS IN AFFECTED SECTORS;

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PAGE 03 BRUSSE 11254 01 OF 02 081734Z

-- HOWEVER, ANY DISTORTION OF COMPETITION WOULD RUN COUNTER TO THESE OBJECTIVES;

-- IN APPLYING ARTICLE 115 SAFEGUARDS, MEMBER STATES SHOULD THEREFORE RESPECT ALL COMMUNITY AND INTERNATIONAL LEGAL OBLIGATIONS.

4. DAVIGNON ASSERTED THAT THE COMMUNITY'S MOST PRESSING REQUIREMENT IS A CAPACITY FOR MORE FLEXIBLE ACTION, ALLOWING FOR EARLIER AND LESS DRAMATIC REMEDIAL MEASURES IN THE INDUSTRIAL SECTOR THAN WAS THE CASE WITH LAST DECEMBER'S STEEL SECTOR DIFFICULTIES. IN THIS CONTEXT, HE NOTED THAT, IN THE SHIPBUILDING AND TEXTILES SECTORS, IT WOULD NOT BE POSSIBLE FOR ANY INDIVIDUAL MEMBER STATE TO RESOLVE CURRENT PROBLEMS ON ITS OWN. HE ALSO INDICATED THAT THE COMMISSION PLANS TO SUBMIT TO THE BREMEN EUROPEAN COUNCIL A PAPER ON POTENTIAL GROWTH SECTORS, IDENTIFYING INDUSTRIES WHICH THE COMMUNITY SHOULD SUPPORT IN THE FUTURE, AND OUTLINING POSSIBLE COMMUNITY MEASURES TO SUSTAIN CURRENT EMPLOYMENT AND CREATE NEW EMPLOYMENT.

5. THE COMMISSION SPOKESMAN SAID THAT, FOLLOWING

DAVIGNON'S REMARKS, COMMISSIONER VOUEL INTRODUCED THE COMMISSION'S PAPER ON STATE AIDS TO INDUSTRY (SEPTTEL), EMPHASIZING THE IMPORTANCE OF INCLUDING STATE AIDS POLICY IN THE OVERALL DEBATE ON INDUSTRIAL PROBLEMS. VOUEL UNDERSCORED THE COMMISSION'S VIEW THAT INDUSTRIES ARE IN THE BEST POSITION FOR JUDGING RESTRUCTURING REQUIREMENTS AND THAT MEMBER STATE RECOURSE TO STATE AIDS SHOULD BE THE EXCEPTION, WITH RELIANCE ON INDUSTRY OWN RESOURCES THE RULE. HE WARNED THAT ANY INCREASE IN STATE AIDS WOULD JEOPARDIZE THE "DYNAMIC" SO IMPORTANT TO EC INDUSTRIES AT THE PRESENT TIME.

6. ACCORDING TO THE COMMISSION SPOKESMAN, FRG STATE SECRETARY SCHLECHT EXPRESSED GENERAL AGREEMENT WITH THE LIMITED OFFICIAL USE

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PAGE 04 BRUSSE 11254 01 OF 02 081734Z

TERMS OF DAVIGNON'S AND VOUEL'S REMARKS, THANKING VOUEL IN PARTICULAR FOR THE COMMISSION PAPER ON STATE AIDS AND ENJOINING HIM NOT TO WAIT TOO LONG BEFORE IMPLEMENTING THE PRINCIPLES THEREIN. ACCORDING TO PERMREP SOURCES, SCHLECHT ALSO EXPRESSED STRONG RESERVATIONS OVER THE USEFULNESS OF A COMMISSION PAPER ON GROWTH SECTORS, AS PROPOSED BY

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PAGE 01 BRUSSE 11254 02 OF 02 081736Z
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DAVIGNON. A GERMAN SPOKESMAN SAID THAT THE REMAINDER OF SCHLECHT'S REMARKS CONSISTED OF A REPETITION OF THE MAJOR POINTS MADE IN THE LAMBSDORFF MEMORANDUM ON PROTECTIONISM (REF A) AND A REVIEW OF DEVELOPMENTS SINCE THE MAY 2 COUNCIL DISCUSSION OF THAT MEMORANDUM (REF B). HE RE-EMPHASIZED, IN PARTICULAR, THAT THE FRG IS CONCERNED ABOUT BOTH INTERNAL AND EXTERNAL PROTECTIONISM, AND HE NOTED THAT THE LAMBSDORFF MEMORANDUM SPECIFICALLY OPPOSES STATE AIDS. HE ALSO DEFENDED THE MEMORANDUM AGAINST ATTACKS MADE IN A RECENT SPEECH BY UK TRADE SECRETARY DELL, POINTING OUT THAT DELL MENTIONED ONLY THE TRADE ASPECTS OF THE GERMAN ARGUMENTS AND IGNORED THE MOST IMPORTANT PART OF LAMBSDORFF'S PRESENTATION--INDUSTRIAL POLICY, PARTICULARLY AS IT RELATES TO GROWTH AND EMPLOYMENT. HE SAID IT WOULD BE DANGEROUS TO REACT TO CHANGES IN WORLD ECONOMIC CONDITIONS WITH MEASURES THAT CONSERVE EXISTING STRUCTURES, AND EMPHASIZED THE GERMAN VIEW THAT TRADE PROTECTIONISM IS LIMITED OFFICIAL USE

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PAGE 02 BRUSSE 11254 02 OF 02 081736Z

"ONLY ONE OF THOSE DANGEROUS INSTRUMENTS" AIMED AT CONSERVING OUTDATED INDUSTRIAL STRUCTURES.

7. ACCORDING TO A UK SPOKESMAN, DELL EMPHASIZED THAT, DESPITE PROBLEMS IN CERTAIN SECTORS, SUCH AS STEEL, THE COMMUNITY HAS SO FAR HAD REASONABLE SUCCESS IN MAINTAINING AN OPEN MARKET. HE ALSO ASSERTED THAT MAINTENANCE OF MARKET COMPETITION AND ADJUSTMENT OF INDUSTRIAL STRUCTURES WILL DEPEND ON ACHIEVEMENT OF ADEQUATE ECONOMIC GROWTH. DELL CONTRASTED GERMAN CONCERN OVER INDUSTRIAL PROTECTIONISM WITH WHAT HE TERMED EC PROTECTIONISM IN THE AGRICULTURAL SECTOR, AND HE EMPHASIZED THE NEED TO TAKE INTO ACCOUNT COMMUNITY AGRICULTURAL POLICIES IN ANY DECISIONS CONCERNING ADJUSTMENT OF INDUSTRIAL STRUCTURES. (THE SPOKESMAN SAID THAT A NUMBER OF MEMBER STATES SUPPORTED DELL ON THIS LAST POINT, ALTHOUGH THE GERMANS QUESTIONED HIS REASONING.) DELL CONCLUDED WITH THREE POINTS: (1) ALTHOUGH HE ACCEPTS THE THRUST OF THE COMMISSION'S PAPER ON STATE AIDS, HE BELIEVES THIS ISSUE SHOULD BE HANDLED ON A CASE BY CASE BASIS; (2) HE BELIEVES THE EC WILL HAVE TO MAINTAIN TRADITIONAL INDUSTRIES AND IMPROVE EMPLOYMENT PROSPECTS; AND (3) HE QUESTIONS THE VALUE OF A COMMISSION PAPER ON GROWTH SECTORS, SINCE HE BELIEVES INDUSTRIES ARE IN THE BEST POSITION TO IDENTIFY SUCH POSSIBILITIES.

8. THE COMMISSION SPOKESMAN SAID THAT BOTH FRANCE AND

ITALY SUPPORTED THE UK'S POSITION ON ECONOMIC GROWTH AS A PREREQUISITE FOR INDUSTRIAL RESTRUCTURING. THE FRENCH ALSO QUESTIONED THE NEED FOR A COMMISSION PAPER ON GROWTH SECTORS, SAYING THAT MEMBER STATES WOULD HAVE A DIFFICULT TIME IDENTIFYING THEM. THE ITALIANS POINTED OUT THAT, IF MEMBER STATES HAD TO CARRY OUT RESTRUCTURING ON AN LIMITED OFFICIAL USE

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PAGE 03 BRUSSE 11254 02 OF 02 081736Z

INDIVIDUAL BASIS, THERE WOULD BE A RISK OF TRADE WARS THROUGH STATE AIDS. THE SPOKESMAN ALSO INDICATED THAT THE IRISH EMPHASIZED THEIR CONCERN OVER THE NEED TO TAKE ACCOUNT OF REGIONAL PROBLEMS IN ANY COMMUNITY RESTRUCTURING EFFORTS.

9. AN IRISH PERMREP OFFICIAL COMMENTED TO MISSION OFFICER THAT DAVIGNON WILL LIKELY BOW TO MEMBER STATE OPINION AND FOREGO PREPARATION OF A PAPER ON GROWTH SECTORS. THE OFFICIAL NOTED THAT CURRENT OF OPINION IN THE COUNCIL WAS DEFINITELY AGAINST SUCH A PAPER. HINTON

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